The Mortgage People

AMAZINGLY HELPFUL INFORMATION...

...to help you with your application!

If this is your first time applying for a mortgage, or even if it's your second or third, it might feel like you'll never understand everything you need to know. But we promise you we'll help you in every way we can.

We'll take you through the process, explaining everything in detail, so that hopefully it will start to feel a bit less scary.

Below we've answered some of the questions people often ask as they're beginning their journey. So you can start to get your head around some of the mortgage-related terms you might come across soon.

MORTGAGES EXPLAINED PART 1

Phrases you'll come across

The mortgage world is filled with unfamiliar words and terminology. Here's what it all means...

Mortgage

A mortgage is a loan secured against your property. You will own the property, but you will have to repay the loan to your lender by making a monthly payment to them according to an agreed schedule. If you don't make these payments, the lender will have a right to repossess your property. This would only ever be as a last resort, but it's something that's very important to keep in mind, so you don't agree to something you feel you can't afford.

Fixed rate

When your mortgage first begins there will be a period, usually lasting two or five years, where you can choose to 'fix' your rate. This means the rate of interest you are paying will not change during that time, even if the Bank of England base rate (against which most lenders set their interest rates) changes.

You may feel that having a fixed rate can give you peace of mind and more security about the amount you'll pay during the first few years of your mortgage.

Variable rate

Variable interest rates are set in line with the Bank of England base rate. If you choose this option, as this base rate increases or decreases so will your payments. A few questions you should consider:

In the current climate is a variable rate a good idea? Would I be able to afford my payments if the rate did increase? And how important to me is budget stability (knowing exactly what I'll pay each month)?

The 'term' of your mortgage product

A mortgage term is the length of time (often 25 years - although it could be more or less) between the lender giving you the money to buy the house and you having to repay that amount in full. Your monthly payments will be calculated based on this term.

Early Repayment Charges (ERCs)

These are charges you will have to pay to your lender if you choose to come out of your mortgage early. Either because you want to sell the house, or you want to pay off all, or some of the mortgage you owe. Sometimes you can make overpayments without penalty - be sure to ask your adviser about this.

Agreement in Principle (AIP)

Also known as a **Decision in Principle (DIP)**. As part of the application process the lender will ask questions about you and the mortgage you're applying for. They will carry out a Credit Check and then they will make a decision about whether they are likely to be able to be able to offer you a loan for the amount you need. The AIP is the document you will receive to confirm this.

Assuming nothing changes and you're able to provide the correct evidence for everything requested, there should be no nasty surprises later on when we come to submit your application.

Credit check

A credit check is a facility used to check your financial history. This will provide information about your past credit, payment habits and any existing loans and credit you have. It can also be used to assess how risky it is likely to be to lend you money.

A credit check can be a soft credit check which will not impact your report or a hard credit check that will leave a search on your report. You should avoid allowing too many hard credit checks to happen in a short space of time to make sure your credit score is not impacted.

Your TMP adviser will be able to tell you what kind of check will be needed in your case, as each lender has different requirements. And you can be confident we will never give permission for a lender to carry out a credit check without your consent.

Getting the money stuff in order

Affordability, overpayments, budgets and all the financial information you need to know right now...

How do I know what is affordable?

Your affordability - or how much money you can afford to pay to your lender each month - will depend on many things. Your lender will have a list of criteria they use to work out if your loan amount is affordable for you. But it is important to make sure you not only meet the lender's affordability criteria, but you are comfortable your payments will be manageable within your own personal budget.

If you are buying a Shared Ownership property, for instance, affordability can be different depending on which property you choose, due to the fact rent and service charges can vary. This means a new affordability check will be required for each different property you are interested in. For a standard purchase, you should be given an indication of the maximum you would be allowed to borrow.

It's important to keep in mind that the lender can repossess your property if you don't keep up your repayments.

We know affordability sounds scary but it's there to protect you from problems in the future!

How do I create a budget?

It's important that we gain a clear understanding of your income and outgoings before we recommend a mortgage for you. We will then help you create a budget plan that is affordable and sustainable. This is the best way to be certain you'll be able to afford your bills and living costs as well as your new mortgage

Having the correct figures in front of you during meetings with your mortgage adviser will also make sure you get the best possible advice.

When will I need to pay my deposit?

While you won't need to pay your deposit at the point your mortgage is submitted, we will need to see evidence that you have it available. This could be via a bank statement or other means. The deposit amount will need to be paid to your solicitor towards the end of the process.

What are overpayments?

Some lenders will allow you to overpay your mortgage without incurring your ERCs (see above). You might do this via small monthly payments or as a lump sum. When you make an overpayment, you will reduce the capital you owe straight away which is a great way to reduce your mortgage and increase the equity in your home.

You can use an online overpayment calculator to help you work out how much you will save in interest in the long term by making overpayments now.

What do we mean by repayment types?

The amount you owe on your mortgage is made up of the original loan, plus the interest your lender charges you for borrowing the money. Your repayment type can be 'interest only', meaning you're paying off the interest each month but none of the original loan, or 'capital and interest'. Capital and interest means you're not just paying off the interest, you're actually making a dent in the loan amount too.

In the case of an interest only mortgage you would need to make other arrangements to ensure you will be able to pay back the capital at the end of the term.

If you choose affordable housing you will not have a choice of repayment types. You will have to opt for a capital and interest repayment mortgage.

More info coming right up!

Mortgages and buying info

Here's a handful of frequently asked questions about buying a home.

A valuation or a survey – what's the difference?

First up, valuation. A basic valuation is done to ensure the property is worth at least what we say it's worth when we complete the application. This will be instructed by the lender in order to give them the information they need. It will not give you, the client, any indication about the property.

A Homebuyers Survey, on the other hand is much more thorough. This is when a qualified RICs surveyor does a visual inspection of the property and writes up a report about the standard/state of it and whether they can foresee any repairs or problems.

A step up from this is a full structural survey in which the surveyor will produce an in-depth report about the soundness of the property. This is the most expensive option and really only needed if you suspect the property may have underlying issues, to do with age or damp for instance.

It's really important that you discuss the type of survey you need with your adviser, they will be able to help you understand which is best for the property you want to buy.

Keep going, you've got this

What's the difference between buying a new build and a resale?

When you are choosing a property you will find that there are plenty of new builds to buy as well as homes that have been lived in already.

One of the main differences is that a new build will tend to come with a warranty issued by the National House Building Council or similar. This will protect you from the cost of repairs within the first 10 years. If you buy a resale home that is older than 10 years you wouldn't be covered by this.

However, if you opt for a new build be prepared to get moving on your purchase. New builds have strict timetables that need to be adhered to. But don't panic! As long as you have all your documents ready and to hand you shouldn't have any problems with this.

How important is it to remortgage?

When your agreed mortgage deal comes to an end, you could end up paying a higher rate, known as the standard variable rate, or SVR. This means you'll end up paying a higher interest rate than you need to, so it's usually a good time to look into remortgaging.

We will start researching your remortgage options up to 3 months before your deal comes to an end, meaning we should have a new mortgage offer in place ready to start when your current deal finishes.

Can't find what you're looking for?

Simply get in touch and ask.

0800 4880 814
tmpmortgages.co.uk

You may have to pay an early repayment charge to your existing lender if you remortgage.

Your home may be repossessed if you do not keep up repayments on your mortgage.

There may be a fee for mortgage advice. The actual amount you pay will depend upon your circumstances. The fee is up to 1% but a typical fee is 0.3% of the amount borrowed.